



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

LABOR INSURANCE.

It is characteristic of the condition of the free laborer today that he possesses no capital, though he may have some personal property, and his only means of livelihood is the sale of his labor power. In the very nature of things, therefore, every working-man must inevitably look forward to a condition of things when his means of subsistence will be cut off — whether by accident or old age — when his labor power will vanish altogether or fall below that of the marginal worker whose employment is profitable to the capitalist. The problem of possible pauperism is therefore one which a large part of the population of the civilized world must face. Labor insurance is the one more or less successful effort to solve this problem.

Insurance is a substitution of social co-operative provision for individual provision, of social effort for individual effort; and labor insurance is a social guarantee against the mishaps incidental to labor, or a social provision for the inevitable future poverty of the laborer.

The dilemma which the laborer must face today might be briefly summarized thus: Spend all you can; raise your standard of life in order to raise your wages, and always remain at the brink of the abyss of poverty and destitution and charity; or, on the other hand, spend little, save; let your standard of life fall, and so induce a fall of wages which will eventually destroy your saving ability. The real issue is, not insurance *versus* saving, but insurance *versus* charity; and if they looked at the problem in that light, it is possible that many sociologists would modify some of their arguments against it. As a matter of fact, while life insurance among the prosperous classes remains a modified form of saving, labor insurance gradually grew out of charity, at first supplementing it, and finally substituted for it as a better means to the same end. The friendly societies of England and the lodges of America originally were simply societies for mutual charity, where relief was a favor and no right; but out of these

co-operative insurance developed, which laid a foundation for future state universal insurance.

The proposal to transfer the business of labor insurance to the state has called forth a great deal of criticism, and an examination of the main objections to state insurance will be worth while. These are briefly: (1) undue extension of the functions of the state; (2) excessive financial burden upon the resources of the government; (3) possibility of abuse and corruption; (4) interference with the private legitimate business of insurance.

The first objection is of so broad a character that to meet it would necessitate a general discussion of the nature of the state or government, and would be beyond the limits of this paper. We may say, however, that the police theory of the state is so rapidly losing ground that it hardly requires a formal refutation. The financial side of the question will be considered presently, when we come to consider the distribution of the burden of labor insurance.

In speaking of the various abuses in the execution of the law, one has in mind chiefly accident and sickness insurance. German statistics are quoted in support of the view that state insurance unduly increases the number of applicants for relief. The very fact of its growth is no evidence of an undue abuse, however. We might, on the contrary, be dealing here with a very proper extension of the useful work of the system. Private insurance, moreover, is not free from such abuses, as recent experiences in New York have shown. Finally, interference with the private business of insurance companies is an argument that can easily be turned in favor of state insurance, as we shall presently see.

The advantages of state insurance can best be shown by a comparison with the other existing methods of labor insurance—individual enterprise, or the co-operative plan, whether religious, semi-religious, or labor-union. That insurance can be made a profitable business is shown by the vast number of private life, sickness, or accident insurance companies; and yet their profits can be drawn only from the insured, either by raising the premium or by lowering the benefits. Another inevitable evil of insurance managed in the interest of profits is the so-called

“selection of risks,” which confers the benefits of insurance only on the strongest, healthiest, and those not working at dangerous occupations—in short, upon those who need it least. The same objections, though perhaps in a less degree, can be made to the co-operative plan, and anyone at all familiar with the practical workings of a co-operative insurance association will also agree that its rates are exceedingly high, because of the high expense of administration. Another drawback of the co-operative plan is its inability to meet an emergency save by the heavy taxation of a limited number of members. In short, state insurance must be cheapest and most efficient. Another advantage is its more scientific adjustment of rates because of a scientific use of the probability tables, which can be relied upon only when applied to large numbers. The greatest advantage of a well-regulated system of state labor insurance, however, is the possibility of making insurance universal. This object is reached by making insurance compulsory.

Theoretically, these two features can be easily separated. State insurance need not be, and is not always, compulsory. On the other hand, the state may compel insurance without taking upon itself the burden of regulation or control of the work. Yet, historically, it cannot be denied that state labor insurance tends to develop into compulsory insurance, and, *vice versa*, compulsory enforcement of labor insurance makes some social control inevitable.

It is the compulsory element in labor insurance, however, that has called forth the more violent opposition. It is claimed that it puts a heavy burden upon both the workingman and his employer, and even upon the state; and it has been called a most odious example of infringement upon personal liberty. This latter objection raises a problem as general and abstract as the argument of undue extension of state functions.

The economic question connected with labor insurance, as distinguished from the social question—*i. e.*, the question of effect of insurance upon wages, profits, and price, or what we might call the “incidence of labor insurance”—may now be discussed. When we come to consider who should bear the burden of labor

insurance, whether the workingman, the employer, or the state should pay the weekly or yearly premiums, as the case may be, or whether each shall contribute his share, we come to what we might call the "incidence of labor insurance"—the question of its effect on wages, profits, and price. As the object is provision for the workingman, upon him, the individualist maintains, must necessarily fall the whole burden of it. On the other hand, as insurance against accidents and accidental death constitutes the main function of labor insurance, and as this is intended to be a substitute for employer's liability, it would seem to be a matter of plain justice that the employer bear the whole burden, as he practically does at present in this country when insuring himself against the possibility of damage suits. Finally, the extremist may claim that, as this is a social function, society (or the state) in its entirety should bear the whole financial burden.¹ This much, however, must be true: society as a whole does bear this burden, and it is only a question of distribution.

Theoretically, then, the question whether the state should bear the burden or not depends upon the sources of state income, and still more upon our view as to the incidence of taxation. Indirect taxation today predominates over direct, and the goods of the greatest demand are those most heavily taxed. The incidence of taxation therefore falls heavily upon the workingman—much more heavily than upon the capitalist; and that, we are inclined to think, is the strongest objection to imposing the whole burden upon the state treasury.

There remains, therefore, the question of division between the employers and employees. This is a practical question which can hardly be decided upon any abstract theoretical considerations. It will rather be the outcome of a struggle between two opposite social forces, as each class will evidently endeavor to shift the burden upon the other. The system as it exists in Germany is a compromise, as both sides share in it; and no compromise has

¹ Of course, it might be argued that such "insurance," without any payment of premiums, would not be insurance at all, but a system of pensions. However, the meaning of "insurance" may be somewhat extended. Etymologically it allows of such extension as long as there is the surety of obtaining the pension under certain conditions.

ever been constructed on logical lines. We may approach the question teleologically, from the standpoint of justice, or, again, study it objectively and endeavor to discover the economic results of each method—*i. e.*, the influences upon profits, wages, and price.

From the standpoint of justice, we must admit the right of every individual to the necessary means of existence, even after his productive powers have failed, no matter from what cause. Should, then, the burden of this relief fall only upon the fellow-employees—people in a more or less precarious economic condition?

If the object be to raise the standard of life—not the *potential* standard, as measured by income, but the *actual* standard, as measured by expenditure—then this object would be defeated by putting the burden upon the laborer, for this guarantees him an escape from future suffering only by direct reduction of present happiness, of which his stock is by no means any too large. We can therefore find only one fund out of which the expenses of labor insurance ought to be paid—the fund of rent and interest, or the collective fund of profits.

But shall we for this reason condemn any system which, like the German, makes the workingman share the burden? The situation is not so bad, even in such a system, as it might appear at first sight. Professor Hamilton is right when he says: "He will count as wages what he actually receives, and the insurance benefits will come to be regarded as of the nature of the pension provided for by a tax upon his employer." And again: "His dues will be levied upon before his wages have reached him, and he will not realize that he is paying anything." But the inferences we draw from it are somewhat different. We consider this the best feature of compulsory insurance, for it will teach the workingman to take into consideration the actual present wages, and, as the workingman will not allow the introduction of a system of insurance to lower his standard of life, as he will necessarily make an effort to keep it at the old level, his collective effort will, we think, enable him to regain his old wages *and* the insurance premium. But will the employer actually pay this extra expense out

of his profits, whether in direct contribution to the insurance fund or in indirect rise of wages? Will not the burden be shifted by increased prices to the consumer? That is the most important and difficult economic question. Not that an affirmative answer to it would affect the merits of labor insurance, for low prices do not always mean a low social cost, a small amount of disutility. As the Webbs have convincingly shown, low prices may simply mean a high degree of exploitation in which the consumer has a share, as in the case of parasitic child-labor. Speaking in a somewhat different terminology, Marx has pointed out that many goods are sold below their normal value in the competitive market. When low prices are conditioned by entire lack of provision for the workingman's future, which lack of provision must necessarily increase the number of dependents and paupers, then we are dealing with a modified form of parasitic labor — *i. e.*, labor that does not altogether exist by the products of its own work.

That the expenses attached to labor insurance will increase prices is by no means certain, however. Argue as much as we may about theories of value, it is none the less true that the actual cost of production remains the practical determinant of prices in everyday industrial life, and from the standpoint of this theory it would seem that labor insurance, increasing the current expenses, would increase the price. This would certainly happen if the system of labor insurance were working only in isolated industries, and capital, on the theory of its free mobility, could then move away to other industries unincumbered with this burden, and so maintain its old rate of profits. Where labor insurance is universal such transfers evidently could not take place. We are therefore led to the conclusion that the incidence of labor insurance is upon profits, rent, and interest. The conditions of international trade may, however, be cited as an objection. It may be claimed that this burden will injure the home industry in the international market. This is the old argument of dear labor, which, as we know inductively, has never interfered with the growth of any industrial country. Certainly dear labor has not stopped the growth of American exports, as labor insurance has not stopped

the goods "made in Germany" from permeating the world-market.

This view of the incidence of labor insurance will enable us to decide better as to the comparative value of voluntary and compulsory, or private and state, insurance. Proceeding from the assumption that this incidence upon profits is the more desirable one, we see that such incidence is less open to question where the employer pays the premium rather than the employee—more plausible with universal than with voluntary insurance. With modern mobility of labor, upon which trade-unionism has put, as yet, a very limited check, the thrifty workingman cannot shift upon the employer the burden of private insurance—a burden by no means insignificant, as the practice of American lodges will show—for he must compete with the careless member of his trade who does not give a serious thought to his future. And where the employer himself undertakes the work of insurance—*e. g.*, many American railroad companies—it would seem that with any actual competition in the labor market the value of such insurance would inevitably be discounted from the wages. Only universal and equal insurances, which of course practically means compulsory state insurance, with the employer as the sole or chief contributor to the expense, will make the desirable incidence possible, if not absolutely certain.

Up till now we have spoken of labor insurance as a whole. We can make the various principles involved much clearer when we turn to the different kinds of labor insurance, each of which must be judged on its own merits. Mr. Willoughby, makes a classification into four groups—sickness, accident, old-age, and unemployment insurance. Brentano, who wrote on the subject twenty years ago, made a division into six classes in the following order: (1) rearing of children in case of death; (2) assistance in unemployment; (3) sickness insurance; (4) invalidity insurance; (5) old-age insurance; (6) burial expenses in case of death. The first and sixth of these classes may be combined as "life insurance," which is just the class missing in Mr. Willoughby's system. Though insurance against death usually takes the one special form of insurance against death by accident,

yet it need not necessarily be so, for, after all, it makes very little difference to the widow and orphans left behind whether accident or disease, or even natural circumstances, have caused the death. Again, the principles and practice of death insurance are totally different from ordinary accident insurance. It is therefore a serious mistake to identify these two.

Of all forms of insurance the one against sickness is the oldest in the domain of both private and public or state insurance. This is naturally so from economic necessity as well as from charitable motives. Sickness, and therefore failure of working power and consequently of means of existence, was for centuries relieved only by charity. And charity, as Professor Giddings says, is a luxury.

Insurance in case of sickness is especially necessary because sickness strikes the man of limited means with double severity. As modern civilization has substituted expensive medicines for the *vis curans naturae*, the heaviest expense coincides with a sudden cessation of income. Say what we may about the necessity of providing for the rainy day, the remarkable popularity of medical charity, both among the givers and receivers, is certain evidence that the provision is insufficient.

Shall the workingman bear the whole burden of this insurance? If we consider the enormous expenditures upon hospitals and kindred institutions, it becomes very doubtful whether the working class would at all be able to meet that part of the expense. Yet the modern system stigmatizes every recipient of the services of these institutions as a pauper. The modern state has shown its readiness to undertake the expenses connected with the hospitals in more than one place. In regard to financial assistance, however, the principle has been both theoretically defended and practically introduced that the workingman meet the expenses out of his wages. Sickness, it has been claimed, is an individual matter, for which neither the employer nor society at large is in any way responsible. This view remains the popular one, though in glaring contradiction to the teachings of modern medicine and hygiene. Without going too deeply into the professional aspects of the matter, attention may be called to the fact that the great

causes of all disease are very limited, and are chiefly infection, exposure, exhaustion, and strain. Disregarding for a moment the results of heredity, it is the conditions of life and work that cause disease. Is the individual workingman to be held responsible for these conditions of life and work? By what theory of justice or right can a man be blamed for inhaling the bacteria of diphtheria from his neighbor's mouth in an overcrowded factory, or for contracting rheumatism in a drafty car? And while these causes may be considered elemental and beyond human control, yet in many other cases the employer's responsibility is a great deal more evident, as, for example, a hernia or a dilated heart contracted from overstraining, or varicose veins, the result of standing too much, or grinder's or miner's consumption. Factory legislation has tried to meet this problem, but what it has accomplished is very incomplete so far.

The theory of accident insurance seems a great deal simpler than that of sickness. While the question may be hotly discussed in court whether the employer or employee is responsible for a particular accident, yet no unbiased observer can fail to see that the general responsibility for accidents lies with the process of production as such. Year in and year out industrial workers will give a larger percentage of injured than agricultural workers, and railroad and mine employees a larger percentage of injured than any other branch of industrial activity. The workingman out of employment does not run the risk of losing life or limb.

This evident responsibility has given the injured workingman a claim for relief which the sick one does not possess—a claim upon the employer besides the expectation of individual or public charity. The common-law liability for such claims has proved so unsatisfactory that organized labor in politics has always contended for statutory establishment of such responsibility. Some writers on insurance have therefore included employer's-liability acts with insurance. Yet these two methods are entirely opposite and affect both employee and employer very differently; for an employer's-liability act, no matter how liberal, presupposes litigation, and accident insurance means only a certain yearly charge. As was pointed out by the Webbs in their *Industrial Democracy*,

employer's liability, even if perfectly just in regard to the workingman, may be very unjust to the small employer, as one workingman's leg may be worth half his capital. In this country employers protect themselves from such possible dangers by insurance against damage suits. Any efficient employer's-liability act, however, would raise the rates of such insurance so much that a system of workingman's accident insurance would be preferred by the employer himself.

The one great objection most frequently raised against compulsory state insurance, either for sickness or for accidents, is that the workingmen abuse the system, which leads, of course, to greater increased expenditures. It is claimed that the number of injured and sick is enormously increased thereby, because of the carelessness of workingmen when they are sure of support. Simulation is another claim, which can apply only to sickness, however, as simulation of accidents can scarcely be imagined. The space is too limited for an extensive criticism of the facts brought forth in support of this accusation and based mainly upon German statistics. If the facts were true, the abuses, and not the system, would call for correction. That flagrant abuses are possible in the practice of private insurance companies as well, recent experience in New York has shown. As to the increasing carelessness, we must think the workingman a great deal less susceptible to physical discomfort and bodily pain than ourselves, if we believe that the few dollars of weekly allowance will reconcile him to disease or injury.

Again, insurance is better than employer's liability, especially in cases of permanent disability, because it supplies a current income instead of a lump sum which is too large for temporary use and usually too small to serve as a source of steady income. Permanent disability, moreover, may happen from other causes than accidental injury, as from invalidity due to sickness, or from old age.

As saving, on the one hand, and charity, on the other, are the ordinary methods of meeting the failing power of production in old age, so old-age insurance may be made to approach either saving or public help. Where old-age insurance is made to depend

upon the individual contributions of the workingmen, it is, after all, only a modified form of saving. If society is made a partial or chief or sole contributor, old-age insurance is nothing but a guaranteed form of old-age pension. From a sociological point of view, the workingman who has spent his life in socially useful and necessary toil is entitled to support during his old age—entitled to it not as a matter of public safety, the basis of most of the charitable work done today, but as a matter of justice and right. Here is the difference between the English poor-law and a system of old-age pensions or insurance. If, however, a small individual payment from the insured be required, it may have the value of giving the insured the illusion that in getting the pension he is not exactly a public charge. But this psychological value is only temporary and conditioned by the laborer's lack of education. A soldier is not ashamed of his pension. Why should a workingman be? Are we ready to admit that a life full of toil is of less social value than a life full of play and parade, with a few occasional battles thrown in?

All workingmen must look forward to an incomeless old age, but not all reach it, for many die young, leaving the people who have been dependent upon them without any means of support. This makes another branch of insurance necessary—the so-called life insurance, which is the last provided for in any country. Brentano, who twenty years ago wrote a great deal against compulsory insurance, insisted throughout his writings that the system of labor insurance must strictly correspond to the contemporary industrial order; and since wagework of women is a characteristic feature of this order, therefore the widows, as such, is not in need of support. It might just as well be argued, however, that child labor is another feature of our industrial order, and therefore children above thirteen or fourteen are economically independent and do not stand in need of support. Even then, however, there remains the matter of provision for smaller children—the work done now by many public and private asylums. Moreover, labor of women and children is one of the main evils that call for correction, and labor insurance may properly be called an attempt in that direction. This kind of insurance is one that is particularly

easy of realization, as the work done by private insurance companies will show. Small contributions from the workingmen, some financial assistance from the employers, made compulsory on the same general principles upon which the employers contribute to the cause of sickness insurance, and a direction into this new channel of a part of the state's expenditure for charity, would very easily accomplish the result.

In discussing these various branches of labor insurance we have purposely spoken in very general terms, omitting all references to details, which are, nevertheless, very important, when an actual introduction of the system is contemplated. Such are the questions of separate funds for the different systems of insurance, of localization *versus* centralization of funds, of distribution of charges in time, of distribution of charges between the different classes and the state, of the limits of financial assistance in each particular case of insurance, and others as well known. Most of these points have to be decided on the grounds of convenience and expediency, and it is scarcely within the scope of the present paper to discuss them.

There is one branch of insurance left undiscussed, which, though no less important than any we have spoken of before, is much more complicated. This is insurance against unemployment. In the discussion of this form the principles just enunciated will prove helpful.

It is certainly true that, as Brentano tried to point out, from one point of view this form of labor insurance is more necessary than all others, for only some such kind of insurance will enable the workingman to meet all the other obligatory insurance charges in time of unemployment. On the other hand, he also pointed out that it is no less true that such insurance stands in glaring contradiction to all the principles of our industrial system, as an army of unemployed is an almost necessary factor in the working out of all the natural laws of wages. If any form of labor insurance with state and employers' participation is in the nature of a compromise of the employers' class with the working class, insurance against unemployment would be the greatest compromise of the kind. The causes of unemployment are certainly a great deal

more complex than the causes of sickness or accidents. First we have the season trades (especially the building trades), where the weekly or daily wages do not at all represent the average daily or weekly income. Some of the members of these trades may have side occupations; some have none. Second, there come the sporadic convulsions of industry and trade which now and then, usually quite unexpectedly, throw out of employment thousands upon thousands of workingmen. Third, there are constant results of industrial evolution—substitution of machine power for hand power, which breed a small army of unemployed, which is perpetual, notwithstanding the constant changes in its makeup. These are all what we may call involuntary forms of unemployment. Efforts have been made here and there to organize a system of insurance for such emergencies. Certainly for their cause the workingman can be held in no way responsible and he may be entitled to some claim for relief from their consequences. There comes, however, the difficulty of differentiating between involuntary and voluntary unemployment, by which we mean something very different from professional “hoboism.” From the workingman’s point of view, this voluntary unemployment may be the more important of the two. Every workingman unconsciously adheres to the theory that his maximum wage can be realized only by a severe higgling of the market. There is then the tentative unemployment caused by search for the most profitable employment, or by the struggle for the most profitable terms, and this tentative unemployment becomes the more important the stronger the workingman is economically. A strike is only the social form of such tentative unemployment.

As a matter of fact, wherever state or municipal insurance against unemployment has been tried, it has always been very carefully limited to the involuntary kind of unemployment. For this form there are no theoretical difficulties, except that it approaches charity in its methods. The conditions of this species of insurance (as, for example, the necessity of proving the inability to obtain even the lowest employment) are such that it is just as unpopular among the workingmen as among the employers.

Yet these conditions are evidently unavoidable. No matter

how much we believe in mutual self-help, it is nevertheless true that an unconditioned supply of the means of existence obtainable without any effort on the part of the recipient must prove to be very detrimental to character. If we try to meet this difficulty by making work obligatory in payment of this support, we are coming dangerously near the English workhouse system. And yet, unemployment is rapidly becoming a more frequent cause of poverty than even sickness or accidents. It is by no means easy, therefore, to say definitely what form of insurance would be best here, and it is here that we strike the most serious limitations of the work which labor insurance can accomplish.

We are now prepared to go over the results of labor insurance in various countries in a very rapid manner, so as to see what is possible of realization.

Germany remains the classical country for all kinds of labor insurance, of course. Insurance against sickness, existing since 1883, is a system of universal and obligatory state insurance, though the actual work is divided between local *kassen*, factory *kassen*, or other organizations. The system provides for medical attendance, free medicines, an indemnity for all the time lost, and relief to women after confinement. Minor accidents are included. Employers and employees equally contribute.

Insurance against accidents is no less perfect. It is universal and obligatory, and its object is compensation of workmen or families in case of death or serious injury. Employers are the exclusive contributors, and the various industries are organized for this purpose in groups in which the frequency of accidents varies greatly. The amount of indemnity is determined according to a permanent schedule in an administrative way, with the power of appeal to a court of arbitration.

Insurance against old age and invalidity was introduced later (1889). It is also a system of universal compulsory state insurance. Its benefits are exceedingly small, and are conditioned upon previous payment of premiums for thirty years. The state supplies a fixed yearly contribution to each pensioner, which amounts to from one-quarter to one-half of his pension. The other expenses are shared equally by employer and employee.

Labor insurance in Austria is largely a copy from the German institution. There is a system of sickness insurance for all industrial workers and transportation employees, which supplies free medical attendance, medicine, and a weekly allowance during the time of sickness. Here, too, the burden is divided between employers and workers, but not equally, the employers paying only one-third of the premiums. Insurance against accidents embraces practically all the industrial workers, and even agricultural and forestry workers where mechanical motors are used. Here the main burden of the expenses is upon the employers, the workers paying only one-tenth of the charges. The benefits are satisfactory, amounting to 60 per cent. of the wages in cases of total incapacity, and annuities to the widow and children in case of death. Invalidity insurance is evidently included in this system of accident insurance. The organization of insurance is not by industrial, but by territorial, groups. There is no system of old-age insurance.

The system in France is far less satisfactory, and stands as evidence of the superior advantages of compulsory over voluntary insurance. Until very lately (1898) almost all systems of insurance were voluntary (with the exception of that for miners) and were conducted partly by the state, partly by private institutions. The law of 1898 introduced a system of accident insurance copied very much after the German pattern, but with state subsidies. Sickness insurance still devolves upon private mutual benefit societies, and the state conducts a system of voluntary old-age insurance which is a modified form of a savings bank. The results are: a very unequal distribution of the benefits of insurance between different groups of workers; exceedingly meager old-age pensions for the majority of the insured, notwithstanding the assistance of the state, with the burden mainly upon the shoulders of the workers. Still, there are strong tendencies in France toward a better condition of affairs.

Belgium, like France, has a system of old-age insurance which is more like a system of saving, with some state assistance. The miners are the only class of workers with a well-regulated system of accident insurance; the rest of the workingmen must rely upon

voluntary insurance associations. In modern Belgium, as in modern France, a great struggle for a more adequate system of state compulsory insurance is going on.

Italy has a national system of accident insurance which embraces almost all the groups of the industrial wage-workers, but not agricultural workers.

Even in Russia a comprehensive workingmen's-compensation act was recently enacted, which is tantamount to a system of universal accident insurance and puts the entire financial burden upon the employer. While there is no system of sickness insurance, the maintenance of factory hospitals and factory physicians are obligatory upon the employer.

In England we find a condition of things more like that in the United States than in any European country. Practically the whole matter of labor insurance or of any provision against sickness, old age, etc., is left to the workingmen themselves. The friendly societies are doing a great amount of very satisfactory work, but through them the whole burden of insurance falls upon the insured themselves, except as private benevolence supplies some financial assistance. In the matter of reimbursements for accidents, many improvements in the employers'-liability act have introduced a system which practically amounts to insurance against accidents. But the system is not universal and has no state guarantee.

When we come to study the status of labor insurance in this country, we cannot help feeling somewhat abashed at the comparison. There are no systems of state universal insurance, yet the study of the forms of co-operative or private insurance, or other ways of social provision for individual needs, is interesting and valuable nevertheless. "Sickness," Mr. Willoughby says, "while resulting in suffering, does not even as a rule necessitate outside assistance." But the whole matter of sickness insurance is not so easily disposed of. Not very many laymen know that almost one-half of the population of New York city yearly applies at the hospitals and dispensaries for *free medical help*. Statistics leave no doubt that the workingmen of New York *demand* free medical help. Hospitals and dispensaries, however, are public

charity, and the patients are treated there as recipients of such. The reactionary tendencies of the medical profession, together with a total absence of any understanding of the social question, have caused this institution of free medical help to be considered an evil, and its use is discouraged by law, yet very unsuccessfully. Patients are insulted, roughly handled, and roughly spoken to. They are asked insulting questions, to which they invariably give false answers. A system of gratuitous medical help is therefore transformed into a system of public demoralization, and the German immigrant workingmen, with their organization of *Krankenkassen*, modeled after the German type, are an effectual, though limited, protest against this immoral system.

In the matter of financial assistance during sickness the condition of affairs is no less discouraging. The friendly societies, the lodges, the unions, all do a little in this line. Yet their benefits are small, are allowed as a rule only for a limited time, and the expenses of membership are heavy, so that belonging to a lodge is of considerable financial importance to a workingman. The whole burden of such insurance falls upon the workingman, and no doubt somewhat affects his standard of life—a form of insurance which we have found to be of very questionable utility. Stoppage of payments in most of these organizations means forfeiture of all accrued benefits. Still worse is the practice of the several quasi-co-operative organizations, which are in reality private enterprises for individual gain. These are very generous in promises, but very modest in their fulfilment, as a great many of them become insolvent sooner or later.

The matter of accident insurance is in no better shape in this country. It is true that the employer, the landlord, or anybody liable to be sued for damages from accidents can very easily insure himself against the consequences of such suits, but this very fact shows how badly the interests of the employees are protected in the matter of reimbursement for injuries sustained. Very few states have any statutory provisions for employers' liability, and the liability under the common law is nullified in the vast majority of cases by the principles of contributory negligence, of contracted risk, the fellow-servant doctrine, and many others, which all

contribute to the same results. As long as the legal side of the question is in this state, and the factory laws are conspicuous by their absence, or their impotence when existing, so long, of course, there is not the slightest incentive for the employer to agree to compulsory insurance, which certainly would be a great deal more expensive than the anti-damage-suit insurance the ordinary employer carries now.

Old-age and invalidity insurance is limited to a few pension funds that four or five railroads have organized for their employees, and only a few of these roads contribute anything to the fund, which is made up of the premiums of the insured. Pension funds have been organized by a few other employing companies, the fund of the Carnegie Steel Co. being a notable example. This great triumph of private charity has all the worst features that such a fund can have, for all the benefits for sickness, accidents, as well as old age, are received by the workingmen, not as a matter of right, but a favor given only for continuous "good behavior."

To recapitulate, then: We have in the United States labor insurance by unions, which are financially weak, and in which all the burden falls upon the workers themselves—and even these limited benefits are enjoyed by very few. We have insurance by small private companies whose object is gain, whose financial standing is doubtful, and whose methods are often dishonest because of lack of control. And, finally, we have insurance by employers, which, applying only to a few employees, is probably accounted for in the difference of wages. We must mention now one more form of insurance, which, though not specifically limited to workingmen, yet practically embraces such a large proportion of the American working population that it must be included among the forms of labor insurance. I mean that form of life and death insurance which is known as industrial insurance, and is based on the small-weekly-payment plan. That this form of insurance is permitted, with all its abuses and deceptions, is strong proof that the principles of Spencerian individualism still dominate this country.

It is unfortunate that the better classes, and the economists

especially, are unfamiliar with that tremendous exploitation of the poorest and neediest which goes by the name of industrial insurance. A superficial study of rates will show that these poor people actually pay at least twice, or even three times, as much for the same insurance as the well-to-do man pays. Because he pays in weekly premiums, the poor man pays twice or three times as much for every \$100 of insurance he carries. In return for these higher rates the terms of the contract do not give him half as good a chance of ever getting the money back. Most of the insured pay for years and years without the hope of ever getting a penny except in case of death. Stoppage of payment for five or six weeks, even after several years of regular payment, means forfeiture of all the money paid. It is a well-known secret that it is from these "lapses" that the fortunes of the companies are made. Personal acquaintance with many agents employed in this occupation has forced the writer to the conclusion that systematic deception of the insured is universally practiced.

That, notwithstanding all these disadvantages, the number of insured may be counted by millions, goes far to show how popular the *principle* of insurance is in the eyes of the American people. This, as well as all the other efforts at mutual assistance and insurance among the American workingmen, conclusively prove that they, no less than the workingmen of Europe, feel the necessity as well as the practicability of some system of social guarantee against the accidents and emergencies of private life. Efforts toward a system of state-regulated insurance of labor have often been decried as "un-American," but this criticism is one-sided, reflecting the views of the employers, and not those of the laborers. It may not be possible to organize a thorough and complete system of labor insurance "over night," as the Germans say, but its gradual introduction presents no insurmountable difficulties. Sickness insurance naturally falls within the domain of municipal government which already contributes large sums for this purpose under the disguise of charity. As the regulation of industry, labor legislation, factory inspection, etc., remain a state matter, accident insurance can best be organized and controlled by

state governments. Finally, old-age insurance could be carried on concurrently by the municipal and state governments, though, but for the constitutional limitations, the federal government, with its forty years of experience in army pensions, would seem to be best adapted to assume that function.

I. M. RUBINOW.

WASHINGTON, D. C.